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**ARIZONA CORPORATION COMMISSION**

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Arizona Corporation Commission

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March 16, 2011

AZ CORP COMMISSION  
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MAR 16 2011

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RE: APS 2011 REST Implementation Plan, Dockets E-01345A-10-0166 and E-01345A-10-0262

Dear Colleagues, Arizona Public Service Company and Interested Parties:

The purpose of this letter is to highlight a need for greater transparency in the administration and details of utility incentive programs, and is principally directed to Arizona Public Service Company (APS).

In Colorado, where Xcel Energy has just cut renewable rebates for solar from \$2.00/watt to 25 cents/watt, the calls for Third Party Administration are growing louder. Here in Arizona, where our incentive programs are similarly booming, we are facing many of the same issues: oversubscribed solar rebate programs that are running low on funds, a nascent solar industry that is experiencing boom-bust cycles, and the tension between incumbent utilities and independent solar companies for market share.

This need for greater transparency has a direct impact on our ability to judge the effectiveness of both the residential, as well as non-residential DE incentive programs currently in place.

**We need more transparency, plain and simple.**

On the residential side, APS has had nearly a year to address problems identified by the solar industry and APS' customers. This is the problem of not knowing when a residential incentive application will be confirmed, and for what amount. To-date, we have heard from solar installers, as well as APS customers, that new applications are simply noted as "pending", with no indication as to where they sit in the queue, or at what incentive level. This is despite the fact that APS has been using a "tranche" system, whereby its annual residential incentive program is divided into four tranches comprised of 600 reservations each. Each tranche has an established incentive level, which declines once the 600 reservations in that tranche have been exhausted.

Given the very structured program described above, why can't APS inform applicants where they sit in the queue and what incentive they will be receiving in a timely fashion? Why does it take up to several months just to provide this basic information? We need to understand why this is the case, and what is being done to address the problem.

On the non-residential side, we continue to receive complaints about the “unintended consequences” brought about by the reverse-auction process for Performance Based Incentives. Some companies claim that this [reverse auction] is directly linked to the high incidence of “phantom projects” (i.e. projects that have secured incentive reservations, but are never completed).

We need to examine the non-residential incentive program (both UFI and PBI) to identify how many projects (including their size and type) have secured incentive reservations versus how many are actually completed. APS has denied that a problem exists, but the only way we can determine this with any certainty is by analyzing the historical data.

I would also like to see greater transparency into how many projects of what type (size, configuration, etc) are securing reservations at what levels. It has come to my attention that there have been quite a number of ARRA-funded projects awarded recently to local installers. These projects are essentially 100% funded by the federal government. I would like to know how many of these projects (if any) have also availed of APS’ Performance based Incentives. In APS’ opinion, could this be construed as “double dipping”?

I realize that the utilities do not necessarily have this information at their fingertips; however, I do not believe the number of installations/ customers involved is so large as to preclude the collection of this information through a simple questionnaire or survey (inquiring as to the funding source).

It is a constant source of frustration to me and others to hear contradicting accounts of how various programs are performing, without having access to the hard data that will reveal what is actually going on. I believe all stakeholders should have access to the same data, in order to collectively develop an informed, effective and fair REST Implementation Plan.

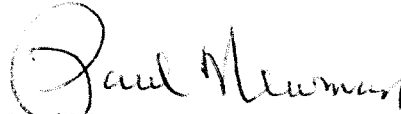
In sum, I would like APS to address the following questions and docket the response within 30 days of its receipt of this letter in APS’ 2011 REST Implementation Plan. I look forward to APS’ answers to aid me in my future consideration of these important matters.

1. How long does it take to post an application and the incentive level to the queue; and what is a goal APS can achieve and will commit to? I believe that 10 days is plenty of time and want to hear what the solar industry thinks.
2. How does APS think we should address the “phantom project” problem on the non-residential side? How does APS plan to report “phantom project” metrics to the Commission, and how often? I believe a short quarterly report to staff and each Commissioner is appropriate.
3. How many non-residential incentive UFI and PBI projects have secured incentive reservations compared to the number actually completed? This should also be reported quarterly I believe.
4. Please respond to the ARRA issue above re: potential “double-funding.”

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5. How can APS report in a timely manner the type, size and configuration of reserved projects?

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul Newman". The signature is fluid and cursive, with the first name "Paul" written in a larger, more prominent script than the last name "Newman".

Paul Newman  
Commissioner

cc: Chairman Gary Pierce  
Commissioner Bob Stump  
Commissioner Sandra D. Kennedy  
Commissioner Brenda Burns  
Ernest G. Johnson  
Janice Alward  
Steve Olea